



Department of Justice

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JUSTICE DEPARTMENT PRESERVES COMPETITION IN INTERNATIONAL
TELEPHONE SERVICE; REQUIRES SPRINT, FRANCE TELECOM, DEUTSCHE
TELEKOM TO CHANGE BUSINESS DEAL

WASHINGTON, D.C. -- The Justice Department acted today to keep international telephone service competitive by requiring three of the world's major telecommunications firms to change their more than \$4.5 billion joint business deal to provide global telecommunications services. The Department said the deal as originally proposed--a combination of foreign monopoly firms with a U.S. long distance firm--could reduce competition in international telecommunications by placing other U.S. telecommunications firms at a competitive disadvantage.

The Department's Antitrust Division filed a suit and proposed settlement involving a plan by France Télécom and Deutsche Telekom A.G., to purchase \$4 billion of stock in Sprint Corporation and form a joint venture with Sprint to provide global telecommunications services. This includes services such as the transmission of data, voice and other enhanced telecommunications services.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "The original deal posed a threat to competition because of the incentive it created to discriminate against competitors in terms and conditions of access to France Télécom's and Deutsche Telekom's monopoly networks and services. The proposed settlement will ensure that

U.S. competitors will be able to compete for important forms of international telecommunications by ensuring a level playing field for all competitors."

Sprint, of Westwood, Kansas, is a major provider of long distance telecommunications services, with \$12.6 billion in annual revenues. Deutsche Telekom, headquartered in Bonn, Germany, is the monopoly provider in Germany and the second largest provider of telecommunications in the world, with 1994 revenues of \$44 billion. France Télécom, headquartered in Paris, France, is the monopoly provider in France and the fourth largest provider of telecommunications in the world, with \$28 billion in 1994 revenues.

The Department's antitrust suit and proposed consent decree were filed today in U.S. District Court in Washington, D.C. The consent decree, if approved by the court, would settle the suit.

Under the proposed settlement, Sprint and the joint venture are subject to various restrictions that will operate in two phases, changing over time as competition develops in France and Germany.

The first phase, during which the parties are subject to a number of behavioral restrictions, will end when competition is legally permitted in France and Germany and when licenses for such competition are issued. Second phase conditions are similar to those imposed by the Department in connection with the British Telecom/MCI joint venture and investment. Those conditions required the reporting of all transactions between British

Telecom, MCI and the joint venture and restrictions on the provisions of new services.

Under the consent decree, Sprint and the joint venture:

- Cannot own, control or provide certain services until competitors have the opportunity to provide similar services in France and Germany.

- Must publish rates, terms and conditions under which they gain access to France Télécom's and Deutsche Telekom's networks and other information that is not normally public.

- Are prohibited from, among other things, obtaining anticompetitive advantages from their affiliation with France Télécom and Deutsche Telekom, such as more favorable access to France Télécom's and Deutsche Telekom's telecommunications networks in France and Germany.

- Are prohibited from gaining proprietary information or pricing data about their U.S. competitors that France Télécom or Deutsche Telekom may have gained through their relationships as suppliers of critical services to Sprint's and the joint venture's competitors.

In addition, the French and German public telephone networks and public data networks could not limit access to those networks in such a way as to exclude competitors of Sprint and the joint venture.

The provisions of the consent decree would remain in effect for five years beyond the end of the decree's first phase.

In its complaint, the Department alleged that the investment and joint venture could substantially reduce competition in international telecommunications. The Department stated that France Télécom's and Deutsche Telekom's legal monopoly rights and market power in France and Germany could be used by them to place other U.S. telecommunications providers at a competitive disadvantage to Sprint and the joint venture in international telecommunications services between the U.S. and France and Germany, as well as in the emerging market for international network services.

Bingaman said that this potential for abuse of monopoly power could cause the price of international telephone calls and other telecommunications services to increase.

According to the Department, France Télécom and Deutsche Telekom will continue to hold legal monopolies over most telecommunications activity in their home countries until at least 1998.

While the Department's proposed consent decree would resolve U.S. antitrust issues involving the transactions between Sprint, France Télécom and Deutsche Telekom, the investigation of the alliance between France Télécom and Deutsche Telekom remains pending before the Directorate General IV of the Commission of the European Union.

This is the second challenge of a transaction involving a U.S. telecommunications company and foreign telecommunications corporations. In June 1994, the Antitrust Division filed a suit and consent decree with British Telecom and MCI involving a joint

venture to provide global telecommunications services. The settlement was approved by the court in September 1994.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, together with the Department's competitive impact statement. Any person may comment on the proposed decree by submitting comments to the Department. After a 60-day comment period, the United States will reply to any public comments and seek entry of the decree by the court.

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